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## **RENEWABLE ENERGY COALITION**

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IDAHO PUBLIC  
UTILITIES COMMISSION

**July 25, 2014**

**The Honorable Marsha H. Smith  
The Honorable Paul Kjellander  
The Honorable Mack A. Redford  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, ID 83720**

**RE: Case No. IPC-E-14-06, Order No. 33055**

**Dear Commissioners Smith, Kjellander, and Redford:**

**The Renewable Energy Coalition (the "Coalition") is providing the following comments in response to the reply comments of the Idaho Public Utilities Commission (the "Commission") staff ("Staff") filed on July 18, 2014 ("Reply Comments"). Staff responded to the Coalition's July 11, 2014 public comments ("Public Comments") which support approval of the April 23, 2014 Power Purchase Agreement ("Arkoosh Agreement") between Mr. William Arkoosh and Idaho Power Company ("Idaho Power"). The Coalition is submitting these comments to correct the record and respond to Staff's assertion that the Coalition's Public Comments were "misleading." The Coalition's comments were not, and did not in any way intend to be, misleading.**

**Initially, the Coalition would like to correct the impression that its comments are in representation of Mr. Arkoosh or other Coalition members with similar contract terms awaiting Commission approval. The Coalition is not representing any specific member in the negotiations with Idaho Power or as an intervening party to this case. Rather, all the Coalition's comments in this case are an expression of the general interests and concerns of the Coalition's multi-state membership. Specifically, the Coalition is concerned about the application of the performance deadband and its potential to severely impact any hydroelectric project's revenues. In addition, as a result of its approved application in Idaho, this concept has been proposed in at least one other state. Therefore, the Coalition's interests on this issue go well beyond a select few members in Idaho with immediate contracting needs.**

**In support of the Arkoosh Agreement, the Coalition cited the Commission-approved Bell Mountain Hydro project Power Purchase Agreement ("Bell Mountain Agreement"). While a number of terms between the Arkoosh and Bell Mountain Agreements differ, they both replace the standard historically applied 90/110 performance deadband with provisions more uniquely situated to the operational and/or financial characteristics and considerations of the projects.**

**Staff's comments in support of the Bell Mountain Agreement repeatedly mentioned that the agreement was the result of negotiations, and stated that the main two reasons for its support for replacing the 90/110 performance deadband with the Mechanical Availability Guarantee ("MAG") was "because of the very small size of the project (290 kW), and because the contract rates and terms are the result of negotiation and compromise." Staff now states that its support for the Bell Mountain Agreement is because of the small size**

**of the project, and that agreement included a MAG in excess of wind projects' requirements and an integration charge.**

**At least in the case of the Arkoosh Agreement, Idaho Power has explained that the proposed change should improve short-term delivery estimates. Idaho Power negotiated an agreement that provides greater benefits to both the company and the Arkoosh project. Staff's comments comparing improvements over the MAG as applied to wind did not seem to add to the rationale for recommending approval of the Bell Mountain Agreement. In addition, most hydroelectric projects in Idaho selling as Qualifying Facilities under a published price also might be considered very small projects**

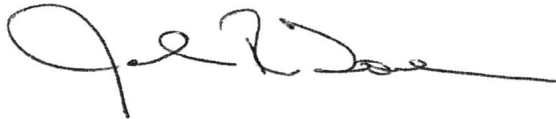
**The Coalition's Public Comments state that we understand that the terms of the Arkoosh Agreement may be the first of several agreements negotiated with Idaho Power that contain identical terms and conditions related to the performance deadband. Staff agrees with the fact that there are a number of similar contracts, but points out that these contracts have been submitted but not yet approved. The Coalition agrees, and we never implied or suggested that these contracts have already been approved. Our comments expressly note that these additional contracts are pending approval but that the outcome of the approval of the Arkoosh Agreement could have implications to both pending and existing agreements.**

**The Coalition's Public Comments reference a study of Coalition member projects located in Idaho. Staff states it is unfortunate that we did not provide this analysis. Such study was performed on a sample of Idaho member projects for the purpose of measuring the potential magnitude of revenue loss resulting from penalties associated with deliveries outside the performance deadband. In addition, the study measured the potential revenue losses as**

**described above compared to those that might be expected if the MAG approach was used including full wind integration charges. While this study was not developed and performed for public use, a similar and more thorough study could most certainly be completed for more public purposes. The Coalition has made no attempt to quantify the implications of the new and improved performance deadband terms under the Arkoosh Agreement.**

**The Coalition appreciates the opportunity to comment on the Commission's consideration of the Arkoosh Agreement and continues to recommend that it be approved as it is clearly an improvement over the status quo.**

**Sincerely,**

A handwritten signature in black ink, appearing to read 'John Lowe', with a long horizontal flourish extending to the right.

**John Lowe**

**Executive Director**

**Renewable Energy Coalition**